



The Director

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

DEC 21 2006

MEMORANDUM FOR HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: LINDA M. SPRINGER
Director

SUBJECT: January 2007 Pay Adjustments

A handwritten signature in blue ink, likely belonging to Linda M. Springer, is written over the "FROM:" line.

The President has signed an Executive order to implement the January 2007 pay adjustments. (See Attachment 1.) The Executive order authorizes a 1.7 percent across-the-board increase for the statutory pay systems under the provisions of 5 U.S.C. 5303 and locality pay increases costing approximately 0.5 percent of payroll under 5 U.S.C. 5304a, for an overall average pay increase of 2.2 percent. This memorandum reviews relevant portions of the Executive order and provides general information on the 2007 pay adjustments for the General Schedule (GS) pay system and certain other pay systems and schedules.

2007 Salary Tables and Effective Date

We have posted the 2007 salary tables on the Office of Personnel Management's (OPM's) Web site at <http://www.opm.gov/oca/07tables/index.asp>. The 2007 pay rates will become effective on the first day of the first applicable pay period beginning on or after January 1, 2007 (January 7, 2007).

The General Schedule and Other Statutory Pay Systems

The Executive order provides an across-the-board increase of 1.7 percent in the rates of basic pay for the statutory pay systems—the GS, the Foreign Service schedule, and certain schedules for the Veterans Health Administration of the Department of Veterans Affairs. Special base rates for law enforcement officers at GS grades 3 through 10 also are increased by 1.7 percent. (These law enforcement officers are assigned the "GL" pay plan code. For additional information on the GL pay plan code, see <http://www.opm.gov/oca/pay/html/specialratechange.asp>.)

Executive Schedule

Under 5 U.S.C. 5318, Executive Schedule (EX) rates of pay will be increased by 1.7 percent (rounded to the nearest \$100) and will become effective on the first day of the first pay period beginning on or after January 1, 2007 (January 7, 2007). The EX salary table is available on

OPM's Web site at <http://www.opm.gov/oca/07tables/indexSES.asp>.

Senior Executive Service

Under 5 U.S.C. 5376, the minimum rate of basic pay for the Senior Executive Service (SES) rate range will be adjusted to be consistent with the increase in the minimum rate of basic pay for senior-level positions under 5 U.S.C. 5376 (\$111,676 in 2007). The applicable maximum rate of basic pay for the SES will be \$168,000 (EX-II) for SES members covered by a certified SES performance appraisal system and \$154,600 (EX-III) for SES members covered by an SES performance appraisal system that has not been certified. An SES member at the minimum rate of the SES rate range must receive a pay increase of 1.7 percent in January 2007, since an SES member may not receive less than the minimum rate of the SES rate range. An agency's determination to adjust the rate of basic pay for an SES member that is approved by the end of the first pay period in January 2007 (January 20, 2007) may be made effective as of the first day of that first pay period (January 7, 2007). Determinations to adjust SES pay that are approved after January 20, 2007, will become effective at the beginning of the next pay period following the approval. OPM's regulations for setting and adjusting SES pay are available at 5 CFR part 534, subpart D.

Senior-Level and Scientific or Professional Positions

The minimum rate of basic pay for the senior-level and scientific or professional (SL/ST) rate range will be increased by 1.7 percent (\$111,676 in 2007), which is the amount of the across-the-board GS pay increase. The maximum rate of basic pay for the SL/ST rate range is the rate for EX-IV (\$145,400 in 2007).

Administrative Law Judges

The Executive order reflects a decision by the President to increase the rates of basic pay for administrative law judges (ALJs) by 1.7 percent, rounded to the nearest \$100. The rate of basic pay for AL-1 will be \$145,400. The rate of basic pay for AL-2 will be \$141,900. The rates of basic pay for AL-3/A through 3/F will range from \$97,100 to \$134,200, as shown in the table under "Administrative Appeals Judges," below.

Administrative Appeals Judges

Under 5 U.S.C. 5372b, the rates of basic pay for administrative appeals judge (AAJ) positions must be set at a rate not less than the minimum rate of basic pay for level AL-3 and not more than the maximum rate of basic pay for level AL-3 of the ALJ pay system established under 5 U.S.C. 5372. OPM's regulations at 5 CFR 534.603 link the structure of the AAJ pay system directly to the structure for level AL-3 of the ALJ pay system. The AAJ pay system includes six rates of basic pay—AA-1, 2, 3, 4, 5, and 6. These rates correspond to the rates of basic pay for AL-3/A, B, C, D, E, and F of the ALJ pay system, as shown in the following table:

AAJ Pay Level	ALJ Pay Level	Rate of Basic Pay in 2007
AA-1	AL-3/A	\$97,100
AA-2	AL-3/B	\$104,400
AA-3	AL-3/C	\$112,000
AA-4	AL-3/D	\$119,400
AA-5	AL-3/E	\$126,900
AA-6	AL-3/F	\$134,200

Locality Payments

The President's Executive order establishes the amounts of the 2007 locality payments for GS employees. Attachment 2 provides a table showing the 2007 locality pay percentage and total percentage increase in each locality pay area (reflecting the combined effect of the 1.7 percent across-the-board increase and the applicable increase in the locality pay percentage). Also provided is a chart showing an example of how the 2007 locality rate and total increase are computed for an employee in the "Rest of U.S." locality pay area. (See Attachment 3.)

Locality Pay Extensions

On November 13, 2006, the Director of OPM issued a memorandum on behalf of the President's Pay Agent (the Secretary of Labor and the Directors of the Office of Management and Budget (OMB) and OPM) that extends the GS locality payments to ALJs, employees in SL/ST positions and certain other non-GS categories of employees again in 2007. By law, EX officials, SES members, and employees in certain other equivalent pay systems are not authorized to receive locality payments.

Changes in Locality Pay Areas in 2007

The following changes in locality pay areas are effective on the first day of the first pay period beginning on or after January 1, 2007 (January 7, 2007):

- Grayson County, TX, is added to the Dallas-Fort Worth, TX, locality pay area
- Berks County, PA, is added to the Philadelphia-Camden-Vineland, PA-NJ-DE-MD locality pay area
- Sutter County and Yuba County, CA, are added to the Sacramento--Arden-Arcade--Truckee, CA-NV, locality pay area
- Skagit County, WA, is added to the Seattle-Tacoma-Olympia, WA, locality pay area

These additions correspond to changes made by OMB to the Dallas, Philadelphia, Sacramento, and Seattle Combined Statistical Areas (CSAs). The changes in the Sacramento and Seattle CSAs were announced on December 18, 2006, and were not included in the notice OPM posted in the Federal Register on November 21, 2006, or the memorandum on draft January 2007 salary tables issued December 11, 2006 (CPM 2006-16).

Locality pay area definitions are posted at <http://www.opm.gov/oca/07tables/locdef.asp>.

2006 Annual Review of Special Rates

We are issuing a separate memorandum announcing the results of the 2006 annual review of special rates.

Aggregate Limitation on Pay

The aggregate limitation on pay for calendar year 2007 will be \$186,600 (equivalent to the rate for EX-I). SES members and employees in SL/ST positions who are covered by a certified performance appraisal system are subject to a higher aggregate limitation on pay of the Vice President's salary (\$215,700 in 2007). (See 5 U.S.C. 5307 and 5 CFR part 530, subpart B.) Information on obtaining certification of performance appraisal systems is available at <http://www.opm.gov/oca/compmemo/2004/2004-13.asp>.

2007 Premium Pay Caps

Under 5 U.S.C. 5547(a) and 5 CFR 550.105, GS and other covered employees may receive certain types of premium pay in a biweekly pay period only to the extent that the sum of basic pay and such premium pay for the pay period does not exceed the greater of the biweekly rate payable for (1) GS-15, step 10 (including any applicable locality payment or special rate supplement), or (2) the rate payable for EX-V (\$136,200 in 2007). In certain emergency or mission-critical situations, an agency may apply an annual premium pay cap instead of a biweekly premium pay cap, subject to the conditions prescribed in law and regulation. (See 5 U.S.C. 5547(b) and 5 CFR 550.106–550.107.) We have posted the biweekly premium pay caps on OPM's Web site at <http://www.opm.gov/oca/pay/html/07GSCap.asp>.

Under section 1105 of the Fiscal Year 2007 National Defense Authorization Act (Public Law 109-364), the head of an agency may waive the premium pay cap provisions under 5 U.S.C. 5547 in calendar year 2007 for an employee who performs work while in an overseas location that is in the area of responsibility of the commander of the United States Central Command, in direct support of or directly related to a military operation (including a contingency operation as defined in 10 U.S.C. 101(13)). Under the waiver authority, a covered employee may receive premium pay in calendar year 2007 to the extent that such premium pay would not cause the employee's aggregate amount of basic pay and premium pay payable in calendar year 2007 to exceed \$212,100. (See CPM 2006-11.)

Post Employment Restrictions

Agencies are required to notify SES members and other individuals who are paid at a rate of basic pay equal to or greater than 86.5 percent of the rate for EX-II (\$145,320 in 2007) that they are subject to certain post-employment restrictions in 18 U.S.C. 207(c). (See 18 U.S.C. 207(c)(2)(A)(ii).) OPM's regulations requiring notification of post-employment restrictions are available at 5 CFR part 730. Agencies may continue to use the sample notice OPM

provided in its memorandum of January 6, 2004 (CPM 2004-01), to notify an SES member or other individual that he or she is subject to the post-employment restrictions in 18 U.S.C. 207(c). (Agencies will need to update the salary threshold, as appropriate.) The sample notice is available at http://www.opm.gov/oca/compmemo/2004/2004-01_attach1.asp.

Order for Processing Pay Actions

The general pay adjustments that take effect in January 2007 must be processed **before** any individual pay action (e.g., a within-grade increase or promotion) that takes effect on the same date. General pay adjustments include across-the-board increases under 5 U.S.C. 5303 and increases in locality payments or other geographic adjustments, special rate supplements, and retained rates. If multiple individual pay actions become effective on the date of the January 2007 pay adjustment, those actions must be processed in the order applicable to the employee's pay system (e.g., the simultaneous action rule for GS employees in 5 CFR 531.206).

Pay Administration

We are providing the following examples of pay computations to assist agencies in administering the 2007 pay adjustments for GS employees:

Examples of January 2007 Pay Computations -- See
<http://www.opm.gov/oca/compmemo/2006/07PAYCOMP.ASP>.

How to Compute Rates of Pay -- See
<http://www.opm.gov/oca/pay/HTML/computerates.asp>.

How to Compute FLSA Overtime Pay -- See
<http://www.opm.gov/oca/pay/HTML/computeflsa.asp>.

Internal Revenue Service Guidance

Internal Revenue Service (IRS) Publication 15, Circular E, *Employer's Tax Guide* (revised January 2007), will show the 2007 wage bracket income tax withholding tables for both single and married persons who are paid on a biweekly basis. IRS will mail Publication 15 to employers, and this publication also should be available at IRS offices in December 2006. (Call 1-800-829-3676 to order copies.) IRS publications may be downloaded at <http://www.irs.gov/formspubs/index.html>.

Questions

For additional information, agency Chief Human Capital Officers and/or Human Resources Directors should contact their assigned OPM Human Capital Officers. Employees should contact their agency human resources offices for assistance.

Attachments

cc: Chief Human Capital Officers
Human Resources Directors